**U.S. stocks hammered as Brexit shock rocks markets**

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The U.S. stock market suffered its worst drop in 10 months Friday as shock over the United Kingdom voters' move to exit the European Union and Prime Minister David Cameron's subsequent resignation announcement sent global markets into a tailspin.

Amid swirling uncertainty over the impact of the  "Brexit," the Dow Jones industrial average tumbled 611 points, or 3.4%, to close at 17,400. The Standard & Poor's 500 fell 3.6%. The losses dropped both stock measures back into negative territory for 2016. The Nasdaq composite, which already had been in the red for the year, fell 4.1%.

The drop erased roughly $800 billion in U.S. market value, as measured by the Wilshire 5000 index.

The events in Britain startled investors who were counting on early polls as a reliable predictor, showing support to remain in the EU. During regular trading Thursday, investors sent the Dow 230 points higher and the Standard & Poor's 500 index to within 1% of a new record close, betting that a Brexit would be off the table.

Eric Wiegand, senior portfolio manager at U.S. Bank Wealth Management, said investors had  a “false sense of security” that voters would reject a Brexit.

“With last night’s result, that’s certainly unwinding,” Wiegand said Friday. “It caught the consensus on the wrong side yet again. Complacency had crept back into the markets.”

That made the impact from the unprecedented decision even more severe. Japan’s Nikkei 225 index dropped 7.9% in volatile trading after the U.K. vote, closing below 15,000 for the first time in more than four months. That’s the steepest drop in more than 16 years.

In Europe, London's FTSE 100 fell 12.5%, German DAX skidded 6.8%, the broad Stoxx Europe 600 index fell 7% and France's CAC 40 was off 8%.

Bob Stovall, U.S. equity strategist at S&P Global Market Intelligence, said in an email, “Falling prices will unveil long-term buying opportunities, particularly for mid- and small-cap stocks” not as exposed internationally.

"In the short term, markets will trade on emotion, so make sure you don’t end up becoming your portfolio’s worst enemy,” he said, adding that investors should “stay calm and carry on.”

The British pound sterling dropped 10% to a 31-year low, and the euro fell by 3.8%. The yen surged, briefly trading below 100 yen to the dollar for the first time since November 2013.

The price of West Texas Intermediate crude, the U.S. benchmark, slid 5.0% to $47.62 a barrel, down $2.49. The global benchmark, Brent crude, was down 4.9% to $48.40 a barrel.

As investors looked for safe havens, gold rose 4.7% to more than $1,322 an ounce.

"Look for gold to do well as part of the safe-haven trade in addition to the move into treasuries," Quincy Krosby, market strategist at Prudential Financial, said in an email.

The Federal Reserve assured investors in a statement that it is "monitoring developments in global financial markets, in cooperation with other central banks" and "is prepared to provide dollar liquidity through its existing swap lines with central banks, as necessary, to address pressures in global funding markets."

To be sure, the sudden plunge in global markets, commodities and British currency may partially reflect the fact that investors had not adequately priced in the prospect of a Brexit. Uncertainty over the impact bedevils investors.

"While we would argue that the British economy and its currency have not really lost 5 to 10% of its relative competitiveness overnight on a sustained basis, the level of uncertainty in the shorter term is definitely very problematic, and bets on any type of reversal do not sound like a good idea to us until the actual effects of last night’s decision become more tangible and quantifiable," JBC Energy analysts said Friday morning in a note to investors.

The Bank of England — the U.K.'s central bank — said it was monitoring developments closely and "has undertaken extensive contingency planning."

Even as investors remained skittish, an undercurrent of belief that the market overreacted emerged in some camps.

"Investors overreacted," University of Michigan business professor Erik Gordon said Friday in an email. "Tough talk from Continental Europe and the effects on Britain will be tempered by the fact that continental companies still want to export to Britain's large, wealthy market and that politicians on the continent have to deal with their own Euro-skeptics."

Fitch Ratings declared the outcome "credit negative for most sectors in the U.K.," while S&P reiterated that it may lower the U.K.'s primary rating by more than one notch because the vote will "deter investment in the economy," damage the sterling and undermine the financial sector.

Kyodo News reported that one Japanese Cabinet official said  a free-trade agreement between Japan and the EU — under negotiation since 2013 — would be difficult to reach this year as a result of the Brexit vote. The EU is one of Japan’s largest trading partners.

In Scotland, where "remain" won in every polling authority, the Scottish National Party may well follow through on its threat to demand a new independence referendum, so Scotland can remain in the EU after the United Kingdom voted to leave. There is broad speculation that other nations in the bloc, emboldened by the U.K's decision, will move to leave.

The impact on the U.S. economy would be less direct, but U.S. companies basing their European operations in Britain could be affected, and both the dollar and U.S. stocks could be affected by the turmoil in global financial markets. The Federal Reserve  cited the impending Brexit vote as a reason to delay any further increase in U.S. interest rates.

"In a low-growth environment, uncertainty or increased concerns really do create tremendous volatility," U.S. Bank Wealth Management's Wiegand said.

Though the U.K. won't officially exit the European Union for about two years, Oxford Economics said it would probably take longer to renegotiate trade deals, meaning the country may be subject to World Trade Organization rules after its exit.

"One could argue that the U.K. will remain in the EU for a minimum of two years, as formal notice that triggers the two-year countdown to leave most likely won't be given for months, but the markets don't wait," Axel Merk, president of Merk Investments, said in an email. "Instead, they are concerned about a disintegration of the EU, (and) they are concerned about a waning influence of the U.S. over the EU."

One major British company, global energy giant BP, said it respects the decision. BP CEO Bob Dudley [told the Economic Club of Washington](https://www.usatoday.com/story/money/2016/06/23/bp-ceo-bob-dudley-washington-economic-club/86288088/)before the results Thursday that "you’ll see all kinds of dislocation" and projected "job losses in London."

BP said in a statement Friday, "It is far too early to understand the detailed implications of this decision and uncertainty is never helpful for a business such as ours. However, we do not currently expect it to have a significant impact on BP’s business or investments in the UK and Continental Europe, nor on the location of our HQ or our staff."

One specific effect of the Brexit is a shakeup for the automotive industry. LMC Automotive projected that U.K. auto sales would plunge by 15% to 2.55 million units in 2018, nearly half a million vehicles fewer than expected if the U.K. had remained in the European Union.

The U.K. imports about nine of 10 vehicles sold there, including eight of 10 from European Union members. But eight of 10 cars made in the U.K. are exported.

Taken together, the figures reflect the interconnectedness of the British economy with the rest of Europe.

"Uncertainty will likely hold back investment and hiring decisions as businesses consider their options and wait for greater clarity, something which is unlikely to come quickly," LMC Automotive said Friday in a research note.